

Cenpatico Integrated Care
STATEMENT OF FINANCIAL POSITION
AS OF: December 31, 2015

ASSETS

CURRENT ASSETS

101	Cash (Disclose on Schedule A)	89,900,643
102	Current Investments	-
103	Accounts Receivable (net) (Disclose on Schedule A)	10,899,152
104	Notes Receivable (current portion)	-
105	Prepaid Expenses	517,054
106	Other Current Assets (Disclose on Schedule A)	424
107	Total Current Assets	<u>101,317,273</u>

NON-CURRENT ASSETS

108	Land	-
109	Building	-
110	Leasehold Improvements	1,640,028
111	Furniture and Equipment	2,324,986
112	Vehicles	-
113	Total Property and Equipment	3,965,014
114	Less: Accumulated Depreciation	<u>1,496,224</u>
115	Net Property and Equipment	<u>2,468,790</u>
116	Notes Receivable (net of current portion)	-
117	Performance Bond (Disclose on Schedule A)	-
118	Long Term Investments	524,385
119	Deposits	61,760
120	Other Noncurrent Assets (Disclose on Schedule A)	<u>191,330</u>
121	Total Noncurrent Assets	<u>3,246,264</u>

122	TOTAL ASSETS	<u><u>104,563,537</u></u>
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LIABILITIES AND NET ASSETS/EQUITY

CURRENT LIABILITIES

201	Incurred But Not Reported Claims (Disclose on Sch. A)	25,478,257
202	Reported But Unpaid Claims	2,695,714
203	Payable to ADHS (Disclose on Schedule A)	4,138,711
204	Payable to Providers	1,037,961
205	Trade Accounts Payable	-
206	Accrued Salaries and Benefits	27,153
207	Long-term Debt (current portion)	-
208	Deferred Revenue (Disclose on Schedule A)	-
209	Risk Pool Payable	-
210	Other Current Liabilities (Disclose on Schedule A)	<u>4,682,927</u>
211	Total Current Liabilities	<u>38,060,723</u>

NON-CURRENT LIABILITIES

212	Long-term debt (net of current portion)	-
213	Loss Contingencies (Disclose on Schedule A)	-
214	Other Noncurrent Liabilities (Disclose on Schedule A)	<u>44,943</u>
215	Total Noncurrent Liabilities	<u>44,943</u>

216	TOTAL LIABILITIES	<u>38,105,666</u>
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217 NET ASSETS/EQUITY

	Unrestricted Net Assets	66,457,871
	Restricted Net Assets (Disclose on Schedule A)	-

218	TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u><u>104,563,537</u></u>
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Cenpatico Integrated Care
STATEMENT OF FINANCIAL POSITION
AS OF:
Schedule A Disclosure

December 31, 2015

ASSETS:

<u>Cash</u>			
	Unrestricted	89,900,643	
	Restricted		
Total Cash		<u><u>89,900,643</u></u>	

Accounts Receivable (Detail of Line 103)

ADHS			
	Program ID	Category ID	
Current Year			
	MHBG SED	Accrued revenue	111,082
	MHBG SMI	Accrued revenue	14,895
	SABG	Accrued revenue	1,319,214
	NTXIX/XXI Other	Liquor Fees	3,494
	County	Pima County IGA	247,911
	Other Federal	State Youth Grant	66,935
Prior Year			

Non-ADHS &/or Unrelated Business	
	<u>Program ID Category ID</u>

Current Period	Pharmacy Rebate Receivable	96,260
	Provider Receivable	9,039,362
Prior Year		

Total Accounts Receivable	<u><u>10,899,152</u></u>
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Other Current Assets (Detail of Line 106)

	Accrued Interest Income	424
	Short-Term Deferred Taxes	
	Due from Affiliates	
Total Other Current Assets		<u><u>424</u></u>

Other Noncurrent Assets (Detail of Line 120)

	Long-term deferred taxes	191,330
Total Other Noncurrent Assets		<u><u>191,330</u></u>

Payables to ADHS - Other* Category.

Disclose items recorded as "Other" in the category for Payable to ADHS Section

Revenue adjustments as a result of change in eligibles

LIABILITIES:

<u>IBNR Claims Estimate</u>	
Current Year	25,478,257
Prior Year	-

Total IBNR	<u><u>25,478,257</u></u>
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Payable to ADHS (Detail of Line 203)

	Program ID	Category ID	
Current Year			
	TXIX/XXI CMDP Child	Other*	16,787
	TXIX/XXI Non CMDP Child	Other*	16,390
	TXIX/XXI SMI Non Integrated	Other*	145,201
	TXIX/XXI GMH/SA Non Dual	Other*	3,960,333
Prior Year			

Total Payable to ADHS	<u><u>4,138,711</u></u>
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Deferred Revenue from: (Detail of Line 208)	<u>Category ID</u>
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ADHS
Current Year

Prior Year

Non-ADHS &/or Unrelated Business

Current Year

Prior Year

Total Deferred Revenue	<u><u>-</u></u>
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Other Current Liabilities (Detail of Line 210)

Professional Services	206,039
Marketing/Adertising	6,502
Charitable Contributions/Sponsorships	990
Community Reinvestment	335,000
Reinsurance payables	156,180
Overhead	41,986
Interpreter/Translation Services	1,830
Other Operating Expenses	16,905
Due to Affiliates	2,449,948
Income Tax Payable	1,467,548

Total Other Current Liabilities	<u><u>4,682,927</u></u>
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Loss Contingencies (Detail of Line 213)

Identify Loss Contingencies	-
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Total Loss Contingencies	<u><u>-</u></u>
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Other Noncurrent Liabilities (Detail of Line 214)

Accrued Income Tax	
Tenant Improvements	44,943

Total Other Noncurrent Liabilities	<u><u>44,943</u></u>
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Restricted Net Assets (Detail of Line 217)

Identify Restricted Net Assets	-
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Total Restricted Net Assets	<u><u>-</u></u>
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Cenpatico Integrated Care

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

AS OF : December 31, 2015

			Initial Capital	Additional Capital	Net Assets / Retained Earnings	Unrealized Gains (Losses) on Securities	Total
Beginning Balance:	October 1, 2015		10,906,308	53,500,000	(3,621,453)	235	60,785,091
* ADHS Net Surplus / Net Earning for the period ended:		December 31, 2015			5,673,873		5,673,873
Other Comprehensive Income:							-
Unrealized Gains (Losses) on Securities						(1,093)	(1,093)
Dividends Paid							-
** Prior Period Adjustments							-
Ending Balance:	December 31, 2015						-
			10,906,308	53,500,000	2,052,420	(857)	66,457,871

* Net of Dividends Paid

** Disclosure of Prior Period Adjustments

**Cenpatco Integrated Care
STATEMENT OF ACTIVITIES
CONTRACT YEAR TO DATE AS OF:**

December 31, 2015

***DISCLOSE ON SCHEDULE A**

		TXIX/XXI Non CNDP Child	TXIX/XXI CNDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA Non Dual	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	Total
REVENUE																						
401	Revenue Under ADHS Contract																					
a	ADHS Revenue	29,863,424	14,027,403	1,580,242	40,045,287	1,808,538	60,678,913	1,468,026	1,188,456	4,377,204	15,969	501,906	-	488,147	279,599	2,777,621	66,935	743,734	1,200	159,912,603	-	159,912,603
b	Reconciliation Settlement/Profit Risk Adjustment																					
402	Specialty & Other Grants*															22,500			163,161	185,661	-	185,661
403	Interest/Investment Income																			-	22,482	22,482
404	Reserved for Future Use																					
490	TOTAL REVENUE	29,863,424	14,027,403	1,580,242	40,045,287	1,808,538	60,678,913	1,468,026	1,188,456	4,377,204	15,969	501,906	-	488,147	279,599	2,800,121	66,935	743,734	164,361	160,098,264	22,482	160,120,746
EXPENSES																						
Service Expenses:																						
501	Treatment Services																					
a	Counseling																					
1	Counseling, Individual	1,402,648	953,845	38,829	1,074,555	43,762	552,283	21,743		-	-	-	-	44,466	103,755	38,078				4,273,964	-	4,273,964
2	Counseling, Family	582,408	289,325	34,149	38,464	6,268	24,668	1,006		-	-	-	-	22,171	1,302	146				999,908	-	999,908
3	Counseling, Group	403,979	97,447	26,472	1,468,941	549	458,703	18,737		-	-	-	-	1,087	44,852	188,617				2,709,383	-	2,709,383
b	Assessment, Evaluation and Screening	1,744,105	1,439,330	128,940	1,316,397	98,679	872,405	35,701		211,006	-	-	-	24,948	4,962	77,230				5,953,703	-	5,953,703
c	Other Professional			-										-	-	-						
d	Total Treatment Services	4,133,139	2,779,947	228,390	3,898,357	149,258	1,908,059	77,188	-	211,006	-	-	-	92,672	154,871	304,072	-	-	-	13,936,958	-	13,936,958
502	Rehabilitation Services																					
a	Living Skills Training	2,289,880	826,690	212,748	2,321,475	26,395	2,247,908	92,141		223,746	-	-	-	41,724	3,105	293,463				8,579,275	-	8,579,275
b	Cognitive Rehabilitation																					
c	Health Promotion	960,599	180,103	42,832	293,572	100,970	1,198,470	49,125		264,696	-	-	-	4,376		5,657				3,100,400	-	3,100,400
d	Supported Employment Services	9,548	694	-	855,417	36,972	796,762	32,659		66,711	-	-	-	1,977	354	62,567				1,863,661	-	1,863,661
e	Total Rehabilitation Services	3,260,027	1,007,487	255,580	3,470,465	164,336	4,243,140	173,925	-	555,153	-	-	-	48,078	3,459	361,686	-	-	-	13,543,336	-	13,543,

*DISCLOSE ON SCHEDULE A

	TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA Non Dual	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	Total
Administrative Expenses:																					
601 Compensation	1,136,314	612,211	57,395	1,437,902	67,991	2,514,608	152,011	80,869	297,848	542	34,152		16,559	9,485	143,404	4,555	25,230		6,593,074		6,593,074
602 Management Fee	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
603 Professional & Outside Services	119,169	64,092	6,009	150,533	7,118	263,253	15,914	-	-	57	-		1,734	993	9,864	-	2,641		641,376		641,376
604 Interpreter/Translation Services	1,071	576	54	1,353	64	2,366	143	-	-	1	-		16	9	89	-	24		5,764		5,764
605 Occupancy	67,494	36,300	3,403	85,258	4,031	149,100	9,013	5,328	19,623	32	2,250		982	562	8,827	300	1,496		394,001		394,001
606 Depreciation	7,539	4,054	380	9,523	450	16,654	1,007	-	-	4	-		110	63	625	-	167		40,575		40,575
607 Care Management	-	-	-	-	-	465,013	-	-	-	-	-		-	-	-	-	-	-	465,013		465,013
608 All Other Operating Expenses not reported above*	163,520	87,945	8,245	206,570	9,767	361,230	21,881	8,880	32,705	78	3,750		2,379	1,362	18,936	500	3,624		931,373		931,373
610 Subtotal Administrative Expenses	1,497,108	805,179	75,485	1,891,138	89,422	3,772,223	199,969	95,076	350,176	712	40,152	-	21,778	12,474	181,745	5,355	33,182	-	9,071,176	-	9,071,176
650 Encounter Evaluation Sanctions*																			-		-
651 Administrative Expenses from Specialty and Other Grants*															22,500			8,303	30,803		30,803
690 Total Administrative Expense	1,497,108	805,179	75,485	1,891,138	89,422	3,772,223	199,969	95,076	350,176	712	40,152	-	21,778	12,474	204,245	5,355	33,182	8,303	9,101,979	-	9,101,979
700 Profit (Loss) from Operations	1,982,209	831,187	109,008	2,762,720	121,417	3,314,139	(28,471)	1	(1)	1,153	-	-	35,234	20,186	142,653	-	53,686	(8,303)	9,336,818	22,482	9,359,300
710 Profit (Loss) from Other, Non-ADHS, Non-Operating & Unrelated Business*	2,840	-	-	7,720	-	5,840	-	-	-	-	-		-	-	-	-	-	-	16,000	(335,000)	(319,000)
720 Net Pre-Tax Profit/(Loss)	1,984,849	831,187	109,008	2,770,440	121,417	3,314,139	(22,631)	1	(1)	1,153	-	-	35,234	20,186	142,653	-	53,686	(8,303)	9,352,818	(312,518)	9,040,300
750 Income Tax																					
a ADHS Income Tax	738,135	309,517	40,592	1,028,782	45,213	1,234,119	(10,602)	0	(0)	429	-	-	13,120	7,517	53,121	(0)	19,992	-	3,479,936		3,479,936
b Non ADHS Income Tax	983	-	-	2,875	-	-	2,100	-	-	-	-	-	-	-	-	-	-	(3,092)	2,866	(116,375)	(113,509)
799 Total Income Taxes	739,118	309,517	40,592	1,031,657	45,213	1,234,119	(8,502)	-	-	429	-	-	13,120	7,517	53,121	-	19,992	(3,092)	3,482,802	(116,375)	3,366,427
800 Net After-Tax Profit/(Loss)	1,245,731	521,670	68,416	1,738,783	76,204	2,080,020	(14,329)	1	(1)	724	-	-	22,114	12,669	89,532	-	33,694	(5,211)	5,870,016	(196,143)	5,673,873

*Disclose on Schedule A

	Physical Health Services	
	EXPENSES	
550	Hospitalization	
a	Hospital Inpatient	2,412,000
b	Total Hospitalization	2,412,000
560	Medical Compensation	
a	Primary Care Physician	4,750,409
b	Referral Physician	211,994
c	PH FQHC/RHC Services	39,000
d	Other Professional	109,171
e	Total Medical Compensation	5,110,574
570	Other Medical Expenses	
a	Emergency Facility Services	539,652
b	Pharmacy	5,460,652
c	less: Pharmacy Rebates	(36,584)
d	Lab, X-ray, & Medical Imaging	305,047
e	Outpatient Facility	162,000
f	Durable Medical Equipment	1,168
g	Dental	243,953
h	Transportation	2,159
i	Nursing Facility, Home Health Care	3,524
j	Physical Therapy	310
k	Value Based Purchasing Initiatives Provider Expenses	1,127,111
l	Miscellaneous Medical Expenses	1,360,083
m	Total Other Medical Expenses	9,169,074
580	Total Physical Health Services Expense	16,691,648

	TXIX/XXI Non CNDP Child	TXIX/XXI CNDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA Non Dual	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADDOH	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF NTXIX/XXI OTHER and OTHER FEDERAL ADHS REVENUE Liquor Fees										\$15,969									\$15,969		\$15,969
Total - NTXIX/XXI Other and OTHER FEDERAL Column	-	-	-	-	-	-	-	-	-	15,969	-	-	-	-	-	-	-	-	15,969	-	15,969

DISCLOSURE OF SPECIALTY AND OTHER GRANTS REPORTED ON LINE 402																	
SAPT Prevention - assistant														22,500		22,500	22,500
Bridge Subsidy Program															163,161	163,161	163,161
																0	0
																0	0
Total Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,500	-	185,661

DISCLOSURE OF SUPPORTED HOUSING ON REPORTED ON LINE 504g																		
Rent Subsidy										395,386		461,754					857,139	857,139
																	-	-
																	-	-
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DISCLOSURE OF OTHER SERVICES ON LINE 511															
Passport Fees	2,656	710	122	4,020	194	2,205	56			224	0	565		10,753	10,753
Linkages						56,250								56,250	56,250
PASRR Screening Services													1,200	1,200	1,200
State Youth Grant														61,580	61,580
Total Other Services	2,656	710	122	4,020	194	58,455	56	-	-	-	-	224	-	565	129,782
														61,580	129,782

DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520																				
Bridge Subsidy Program																		163,161	163,161	163,161
																			0	0
																			0	0
Total Service Expenses Non ADHS Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	163,161	163,161	- 163,161

DISCLOSURE OF ALL OTHER OPERATING ON LINE 608																
Moving & Storage	2,727	1,467	138	3,445	163	6,025	364		1		40	23	226		60	14,678
Meeting Expense	3,039	1,634	153	3,839	182	6,713	406		1		44	25	252		67	16,356
Bank Charges	(812)	(437)	(41)	(1,025)	(48)	(1,793)	(108)		(2)		(12)	(7)	(67)		(18)	(4,369)
EQ/EOB Processing Fees	3,846	2,069	194	4,109	230	8,497	514		2		56	32	318		85	20,702
Dues/subscriptions/publications	2,319	1,247	117	3,599	139	5,123	310		1		117	19	192		51	12,481
Printing	18,676	10,044	942	23,591	1,116	41,256	2,494		9		272	156	1,546		414	100,515
MDC Printing/Postage Allocation	37	20	2	46	2	81	5		0		1	0	3		1	197
Business Gifts	82	44	4	103	5	180	11		0		1	1	7		2	440
Outreach Expense	717	386	36	906	43	1,585	96		0		10	6	59		16	3,862
Marketing give aways	5,715	3,073	288	7,219	341	12,624	763		3		83	48	473		127	30,757
Sponsorships	9,284	4,993	468	11,727	555	20,508	1,240		4		135	77	768		206	49,965
Equipment Maintenance	2,029	1,091	102	2,563	121	4,481	271		1		30	17	168		45	10,918
Equipment Lease	1,726	928	87	2,180	103	3,813	230		1		25	14	143		38	9,290
Mac Equipment Expense	357	182	18	590	45	842	48		0		5	30	452		8	1,924
Insurance Expense	42,225	22,710	2,129	53,338	2,522	93,278	5,639		20		614	352	3,495		936	227,258
Other Operating Expense	1,781	958	90	2,250	106	3,934	248		1		26	15	147		39	9,586
Interest on Late Claims	0	0	(0)	14	-	4	44		-		-	-	1		-	63
Information System Expense	5,736	3,085	289	7,245	343	12,670	766		3		83	48	475		127	30,869
Travel expenses	41,939	22,556	2,115	52,977	2,505	92,647	5,601	8,880	32,705	20	3,750		8,872	500	9,320	276,956
Total All Other Operating	163,520	87,945	8,245	206,570	9,767	361,230	21,881	8,880	32,705	78	3,750	-	2,379	1,362	18,936	931,373

[illegible]

	TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA Non Dual	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF ADMINISTRATIVE EXPENSES FROM SPECIALTY AND OTHER GRANTS ON LINE 651																					
Health insurer fee expenses															22,500				22,500		22,500
SAPT Prevention - assistant																		8,303	8,303		8,303
Bridge Subsidy Program																					0
Total Adm Expenses from Specialty and Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,500	-	-	8,303	30,803	-	30,803
DISCLOSURE OF OTHER, NON-ADHS, NON-OPERATING AND UNRELATED BUSINESS EXPENSES LINE 710																					
Community Reinvestment																			-	(335,000)	(335,000)
Revenue from RBHA assessed Sanctions	2,640	0	0	7,720	0	0	5,640	0	0	0	0	0	0	0	0	0	0	0	16,000		16,000
Total Other, Non-ADHS, Non-Operating and Unrelated Business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,000	(335,000)	(319,000)

Cenpatico Integrated Care
FOOTNOTES TO FINANCIAL STATEMENTS
As of: December 31, 2015

1. ORGANIZATIONAL STRUCTURE

Nature of operations

Cenpatico Integrated Care (C-IC) was founded by Cenpatico Behavioral Health of Arizona, LLC (CAZ) and the University of Arizona Health Network, Health Plans Division (UAHP). Cenpatico Behavioral Health of Arizona, LLC was the Regional Behavioral Health Authority (RBHA) for eight southern Arizona counties from 2005 through September, 2015 and UAHP was an AHCCCS health plan since 1985. We have joined forces to create C-IC with a passion and commitment to serve communities and deliver whole-person health care that is rooted in recovery, using the motto “Empowering Communities...Inspiring Hope.” CAZ is a subsidiary of Centene Corporation (Centene), a national leader in integrated healthcare solutions for populations with complex needs.

Cenpatico Integrated Care is located in Tucson, Arizona and has additional offices in Tempe, Casa Grande, Yuma, and Sierra Vista, Arizona. C-IC is providing behavioral and physical healthcare for the benefit of eligible members in greater Arizona. Substantially all of C-IC’s revenues are from its contract with ADHS.

Related-party transactions

Centene, CenCorp Health Solutions and affiliated companies provide administrative and other services to Cenpatico Integrated Care, including computer systems and network functions, facilities, security, insurance needs, accounts payable and payroll processing, accounting, claims processing and other administrative financial support,

ethics and compliance support, training and other activities. Included in general and administrative expenses is an allocation of the costs of the administrative services provided by affiliated companies.

The Company contracted with NurseWise, an affiliated company wholly owned by CenCorp Health Solutions, to provide nurse triage and crisis services to eligible enrollees that are served under the ADHS contract. Cenpatico operates under a management contract with US Script, an affiliated company wholly owned by CenCorp Health Solutions, to provide pharmacy benefit management services to eligible enrollees. In addition, C-IC has contracted with Lifeshare, Dental Health and Wellness, and Opticare to provide crisis services second responder for the IDD (Intellectual and Developmental Disabilities) population, dental, and vision services, respectively, to our members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management’s use of estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash includes cash deposits in banks and cash equivalents. C-IC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2015, cash and cash equivalents consisted of cash and money market accounts.

Investments

As of December 31, 2015, investments consisted of restricted investment required to remain in trust by the State of Arizona, Department of Insurance of U.S. treasury notes valued at the market amount of the notes. There were no significant realized or unrealized gains or losses on the notes for two months ended December 31, 2015.

Accounts receivable

Accounts receivable are detailed in the Statement of Financial Position Schedule A and supplementary information is provided in the Provider Receivable schedule submitted to DBHS.

IBNR

For behavioral health, IBNR is calculated based on Inpatient, Home Care Training to Home Care Client, and Behavioral Health Residential Facilities year-to-date authorizations plus estimated other fee-for-service expenses to be paid based on historical trend less year-to-date payments. For Physical Health, C-IC used actuarial information and the Mercy Maricopa Integrated Care trend to determine the expected IBNR. After the first 6 months, current year trends will be reviewed and adjustments will be made, if necessary. The estimates are reviewed with Medical Management and are also discussed in a cross-departmental utilization review meeting monthly. In addition the estimates are reviewed by an outside actuary on a quarterly basis.

RBUC

This amount represents received but unpaid claims.

Revenue recognition

Title XIX /XXI Revenue is accrued and recognized based on the capitation rate and the number of Title XIX/XXI Arizona Health Care Cost Containment System (“AHCCCS”) enrollees eligible for covered services during that month. Non-Title XIX Revenue is based on the monthly payment authorizations plus accrued revenue based on the most current allocation schedule received from DBHS.

Service Expense Allocation Methodologies by Program

Service expenses paid via block payment are allocated to the fund types (TXIX Child, TXIX CMDP, TXIX SMI, TXIX GMH/SA, TXIX DD Adult, TXIX DD Child, etc.) based on the year-to-date block payments. Within a fund type, the allocation by service line is based on the year-to-date encounter and claims data. There are a couple of exceptions related to specific NTXIX funding, such as NTXIX SMI Supported Housing, that are directly allocated to those service lines based on the DBHS allocated/approved funds and related payments year to date for these specific services.

Service expenses paid via fee-for-service methodology (FFS) include both paid claims and estimated expenses (IBNR) and are allocated as follows:

1. Inpatient, Home Care Training to Home Care Client, and Behavioral Health Residential Facilities services are allocated to the applicable service line based on the authorized days and then allocated to the fund types based on year-to-date paid claims data. These service expenses also include any adjustments for prior year IBNR changes.
2. Physical Health Services are allocated direct to the service line based on the estimated fee for service expenses.
3. Other FFS estimated expenses (including both paid claims and IBNR) are allocated to the fund types and then service lines based on year-to-date claims paid and expected payments.

Pharmacy expenses are allocated to the fund types based on actual pharmacy expenses paid year-to-date. Rebates and audit recoveries are allocated based on pharmacy expenses.

Non-encounterable services (SABG Prevention, SABG HIV, Bridge Subsidy Housing grant, etc.) are directly allocated based on actual and estimated expenses incurred year to date.

We used prior year CAZ encounter data to allocate the behavioral health expenses. For TXIX SMI integrated we used prior year TXIX SMI encounters and for XIX SMI Non-Integrated expense we used a percentage of the prior year TXIX SMI encounters based on the revenue.

Expense allocation

Certain direct, indirect and administrative expenses are incurred which benefit more than one program. Such common expenses are allocated based upon an ADHS approved cost allocation plan as submitted by Cenpatico annually.

Income taxes

The Company accounts for income taxes using FASB ASC 740, Accounting for Income Taxes.

The Company’s policy is to classify income tax penalties and interest as income tax expense in its financial statements. During two months ended December 31, 2015 C-IC incurred no penalties or interest. C-IC evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

3. OTHER AMOUNTS

All other amounts are disclosed in the Statement of Activities Schedule A.

4. PLEDGES, ASSIGNMENTS AND GUARANTEES

There are no pledges, assignments or guarantees at this time.

5. PERFORMANCE BONDS

The performance bond required for contract year 2016 is \$51,863,264 and was fulfilled through the purchase of a surety bond expiring on September 30, 2016. The performance bond must be maintained to guarantee payment of C-IC’s obligations under the ADHS contract.

6. MATERIAL ADJUSTMENTS

None.

7. INCURRED BUT NOT REPORTED (IBNR) CLAIMS PAYABLE ANALYSIS

IBNR is calculated monthly based on Inpatient, Home Care Training to Home Care Client, and Behavioral Health Residential Facilities year-to-date authorizations plus physical health estimated expenses and other fee for service expenses to be paid based on historical trend, less year-to-date payments.

8. CONTINGENT LIABILITIES

There are no contingent liabilities at this time.

9. EQUITY ACTIVITY

\$53.5 million of additional capital was contributed during October 2015.

10. NON-COMPLIANCE WITH FINANCIAL VIABILITY STANDARDS AND PERFORMANCE GUIDELINES

Cenpatico Integrated Care is in compliance with all the Financial Viability standards.

11. FLUCTUATIONS IN STATEMENT OF FINANCIAL POSITION ACCOUNTS

The following changes in each account are greater than 5% compared to the prior quarter (December 31, 2015 compared to September 30, 2015):

No fluctuations - first quarter of reporting

12. PHARMACY REBATES

C-IC receives pharmacy rebates for volume-based utilization of certain medications. These rebates are recorded when earned as a reduction of program services expense. For the three months ended December 31, 2015 pharmacy rebates (including the pharmacy audit recoveries) totaled approximately \$110,000.

13. INTEREST ON LATE CLAIMS

Cenpatico paid approximately \$63 interest during the three months ended December 2015 for claims paid beyond standard time frames. The interest is reported on line 607 All Other Operating in the Statement of Activities and included in the Statement of Activities Schedule A under Interest on Late Claims.

14. SANCTIONS

Sanctions imposed by Cenpatico on providers for the year-to-date through December 2015 are \$16,000.

The sanctions are reported on line 710 Profit (Loss) from Other, Non-ADHS, Non-Operating & Unrelated Business* in the statement of activities and disclosed in statement of activities Schedule A. Supplementary information is provided in the Sanction report submitted to DBHS.

16. VALUE BASED PURCHASING INITIATIVES

C-IC has developed a Value Based Purchasing program that focuses on Inpatient Utilization, Emergency Department Utilization, Readmissions to those services, and follow-up with Behavioral Health with the Health Home for discharged members. Other incentives are available to providers for meeting certain objectives in Primary Care and for members involved in the Crisis system. The program will evolve in this contract year, and in future contract years.

17. REINSURANCE

C-IC has purchased a Reinsurance policy to limit the risk of excessive medical expenses.

18. BLOCK GRANTS

Expenses for SABG, MHBG SED and SMI funds fluctuate with utilization, producing variances when compared to the funding received.

Expenses for the 2016 State Fiscal Year, for selected categories are as indicated below:

SABG Children's Expenses SFY2016- \$140,771
MAT Expenses SFY2016 -\$43,899
MHBG SED Expenses SFY2016-\$431,135
MHBG SMI Expenses SFY2016-\$246,939

19. PRIOR PERIOD ADJUSTMENTS

None

Cenpatico Integrated Care
STATEMENT OF CASH FLOWS
CONTRACT YEAR TO DATE AS OF:

December 31, 2015

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Changes in Net Assets	5,673,873	
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,455,045	
Bond Amortization		
Net Unrealized (gains) losses on investments		
(Gain) loss on sale of investments		
(Gain) loss on sale of assets		
(Increases)/Decreases in Assets:		
Accounts Receivable	(8,809,435)	
Notes Receivable		
Prepaid Assets	(81,882)	
Other Assets	(189,891)	
Increases/(Decreases) in Liabilities:		
IBNR	25,478,257	
RBUC	2,695,714	
Accounts Payable to ADHS	4,138,711	
Deferred Revenue		
Accounts Payable and Other Accrued Liabilities	863,395	
Due to District		
Due to Affiliates, Net	(4,194,853)	
Other Liabilities	2,071,544	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> 29,100,478	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from Sale of Property & Equipment		
Purchase of Property /Leasehold Improvements and Equipment	(3,081,309)	
Maturity of Investments	211	
Purchase/ valuation of Investments		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<hr/> (3,081,097)	
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Contributions from Member Organizations	53,500,000	
Dividends Paid		
Issuance of Common Stock		
Payment of Other Debts (Describe on Schedule A)		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<hr/> 53,500,000	
NET INCREASE/(DECREASE) IN CASH	79,519,381	
BEGINNING CASH	<hr/> 10,381,262	
ENDING CASH BALANCE *	<hr/> <hr/> 89,900,643	-

*NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET

Cenpatico Integrated Care

STATEMENT OF CASH FLOWS

CONTRACT YEAR TO DATE AS OF:

Schedule A Disclosure

December 31, 2015

Describe:

1. Sources and amounts of cash received for other grants.
2. Underlying transactions for acquisition of debt.
(Debtor, amount, purpose of loan, term, interest rate of debt acquired)
3. Underlying transactions for retirement of debt.
(Debtor, amount paid off.)
4. Cash Flows From Financing Activities - Payment of Other Debt
5. Supplemental data or non-cash investing and financing activities, gifts, etc.